

City of Detroit

CITY COUNCIL

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TO: Ron Lockett, Executive Director
Northwest Activities Center

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 20, 2007

RE: 2007-2008 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2007-2008 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pam Scales, Budget Department Director
Roger Short, Interim Chief Financial Officer
Tanya Stoudemire, Budget Department Team Leader
Kandia Milton, Mayor's Office

Northwest Activities Center

FY 2007-08 Budget Analysis by the Fiscal Analysis Division

Summary

Northwest Community Programs, Inc, operates the Northwest Activities Center a non-profit corporation. The building is owned by the City of Detroit and is leased to the non-profit corporation for \$1 per year.

The Northwest Activities Center has facilities for recreational, cultural and educational activities. The recreational facilities include a swimming pool, gymnasium, outdoor tennis courts, athletic field, and indoor racquetball and squash courts. Recreational classes such as swimming, aerobics and dance are offered.

The Northwest Community Programs, Inc., has for many years been given a grant by the United Way Foundation for handling three special at risk programs:

- Children and Youth Crisis Program
- Teen Parenting Program
- Problems of the Elderly Program

The complex also has sufficient space in which to lease space to the Police Athletic League (PAL), the Police Department's Western Operations' Administration, Wayne State University's College of Lifelong Learning, various community theatre groups and four retail stores.

The non-profit organization has a 13-member board of directors of which 12 are currently filled. The board appoints the Executive Director of the Northwest Community, Inc. Seven positions are mayoral appointees: of which, shall be employed by the City of Detroit and have expertise in at least one of the following areas, (1) Accounting, (2) Engineering, (3) Human/Social Services, (4) Law, (5) Public Administration and (6) Recreation/Cultural. Six board positions are community persons recommended by the organization's Executive Director, but appointed by the Mayor. One position is currently vacant.

The Administration has historically budgeted a General Fund subsidy for the Center's operating budget as a "contribution or transfer" in the Recreation Department's budget. The current year's budget had a contribution of \$220,000 to the recreation center. The Administration in the 2007-08 Executive Budget has recommended a General Fund subsidy of \$220,000 to the Northwest Activities Center for the operating costs at the Northwest Activities Center. This contribution is located in Recreation's budget in Appropriation 11657 Business Operations & Support Services.

Recreation Department General Fund Contribution to the Northwest Activities Center

FY	2003-04	2004-05	2005-06	2006-07	2007-08
Funding	\$800,000	\$800,000	\$540,000	\$220,000	\$220,000
% Change		0%	-32.5%	-59.3%	0%

Typically, the Northwest Activities Center's annual operating budget is approximately \$2 million.

The Administration previously stated that the Northwest Activities Center was slated as one of the four recreation centers along with Considine, Lipke and Hawthorn to take share in a capital improvement plan using a combination of city bond funds and foundation grant funds. The Northwest Activities Center received a total of \$3.05 million for capital improvements. All of the capital improvements are completed.

The Center's projected annual revenue is \$2.7 million, which includes the City's direct contribution of \$220,000 (from Recreation) is 8.1% of the total. The remaining \$2.5 million in budgeted revenues are generated from grants, room rentals, membership dues, class registration fees and in-kind contributions. The Northwest Activities Center's projected expenses in its operating budget are approximately \$2.69 million, for a \$19,000 budgeted surplus (Preliminary budget attached).

According to the Norwest Activity Center, the attached projected budget does not include 2006-07 budgeted figures for the Norwest Activity Center, due to the fact that the Norwest Activity Center's 2007-08 projected budget is based on its 2005-06 actual budget figures.

Issues and Questions

In the 2007-08 fiscal year, the Recreation Department will relocate its administrative offices from the Cadillac Tower to the Northwest Activities Center and will revitalize the operations of the Northwest Activities Center.

The Recreation Department is planning on investing Capital dollars into the Northwest Activities Center. Recreation's improvements will include, an investment to refurbish the top floor for its administrative offices, revitalizing a wing of the facility for Senior Citizens operations and activities, retrofitting the pool with new infrastructure, and assisting with renovations throughout the facility.

The Northwest Activities has plans to make major improvements to the mechanical system of the Northwest Activities Center in the upcoming year. It plans to upgrade its heating and cooling systems and upgrade the pool. The Northwest Activities Center also plans to begin Phase I of renovations to the health club, renovations of the entire facility and new landscaping in the front and back of the facility.

The Northwest Activities Center does not have a finalized budget for the current fiscal year.

The Northwest Activities Center does, however, have a recently completed preliminary unapproved budget; the director will be submitting it to the Northwest Activities Center's board of directors shortly. The board must first approve the preliminary budget before it takes effect.

In December 2000, the Northwest Activities Center completed its building improvements in the north wing, by completing its renovations of their third floor office space and by creating barrier free access to the building to comply with ADA standards. This was funded through the City of Detroit Recapitalization Project for Capital Improvements.

Also completed in the 2000-01 fiscal year, were the projects to retile both the men's and women's steam rooms, repainting the gymnasium, updating the weight room by rubberizing the floor and enhancements to the endurance room. The renovations to its theatre, ballroom kitchen and lobby were completed in July 2001.

In 2003, the Northwest Activities Center accomplished its capital repair goals of retooling the athletic wing Northwest Activities Center. The work included, repainting the athletic wing, combining the endurance/cardio room with the free weight area, repairing the showers in the men's and women's locker rooms, and reconnecting the gas lines in order to provide members with clean fresh towels. The improvements were completed October 1, 2003. In 2004, the Northwest Activities Center launched a major membership drive to increase revenue. Included in the drive was an offer of discounted memberships of 20% to City of Detroit employees and their families. The rationale for the major membership drive is that the improvements now allow the Northwest Activities Center to compete with other comparable facilities in the city.

The membership drive was also extended to former members, in order to generate additional revenue on an annual basis by increasing the number of paid memberships.

One of the Northwest Activities Center's past accomplishments involved the Mayor's Time children's program, the Northwest Activities Center, through an in-kind contribution from the Intel Corporation, implemented the Intel Computer Clubhouse Program. The Intel program, for 10-18 year-olds cognitive skills development, includes 18 computer stations and a state-of-the-art sound studio.

- The City reduced its General Fund contribution to the Northwest Activities Center by \$320,000. How did the 2006-07 general fund reduction impact the day-to-day operations of the Northwest Activities Center?
- How will the Recreation Department's move to the Northwest Activities Center impact the day-to-day operations at the center? What is the projected impact on Revenue? How much will Recreation spend, if any, to retrofit offices to accommodate the department's administrative services?
- Does the Northwest Activities Center have adequate staff to maintain its operations at an ideal level?
- The Staff In-Kind contribution is projected to increase significantly in 2007-08 from 2005-06, going from \$110,000 to \$1 million (875%). Please explain the rationale for such a significant increase (\$963,000) and its impact.
- Recently, the Northwest Activities Center has relied on membership drives to increase revenue. Included in the drives were attempts to attract City of Detroit employees to join. Has the Northwest Activities Center approached the Administration in order to secure the City's assistance to market these campaigns to City employees?
- Please explain the new budgeted revenue line item "lease" at \$350,000. Who is the lessee and has the NWAC already entered into this lease? If not, when?

07-08 Budget Draft

fiscal Year: July 1, 2007 - June 30, 2008

DEPARTMENT NAME:

NORTHWEST ACTIVITY CENTER -- General Budget

FISCAL PERIOD:

July 1, 2007 - June 30, 2008

	2007-2008 BUDGETED REVENUE	2005-2006 ACTUAL REVENUE	2005-2006 BUDGET REVENUE	2005-2006 BUDGET VARIANCE	
REVENUE					
Health Club					
Membership	210,000.00	133,490.00	228,370.00	11,505.00	
Seasonal Camps	80,000.00	106,385.00			
Booking					
Catering	40,000.00	35,000.00			
Rental	170,000.00	494,158.00	519,162.00	9,996.00	
Lease	350,000.00				
Business Office					
Vending	15,000.00	18,947.00	50,000.00	(41,053.00)	
Other	500.00		10,000.00		
C of D Allocation	220,000.00	540,000.00	550,000.00	(10,000.00)	
Donations/Grants	500.00	57,000.00	31,500.00	25,500.00	
United Way	210,000.00	210,000.00		210,000.00	
Utilities in-kind	343,000.00	343,086.00	343,000.00	86.00	
Staff in-kind	1,073,000.00	110,000.00	110,000.00	-	
Total Revenue:	2,712,000.00	2,048,066.00	1,842,032.00	206,034.00	0.00

	2007-2008 BUDGETED EXPENSES	2005-2006 ACTUAL EXPENSES	2005-2006 BUDGET EXPENSES	2005-2006 BUDGET/ACTUAL VARIANCE	
EXPENSES					
Payroll Expenses	800,000.00	1,220,888.00	789,367.00	303,394.00	
Fringe Benefits	53,000.00		128,127.00		
Operating Expenses	84,000.00	119,381.00	272,607.00	(38,484.00)	
Loan Repayment	72,000.00	72,000.00			
Liability Insurance	80,000.00	88,734.00	165,000.00	(76,266.00)	
Equipment	80,000.00	8,680.00			
Marketing	10,000.00				
Building Maintenance	50,000.00				
Debt Repayment	48,000.00	34,062.00			
Utilities in-kind	343,000.00	343,086.00	343,000.00	86.00	
Staff in-kind	1,073,000.00	110,000.00	110,000.00	-	
Total Expenses	2,693,000.00	1,996,831.00	1,808,101.00	188,730.00	0.00
Grand Total	19,000.00	51,235.00	33,931.00	17,304.00	-

Signature of Authorizing Official

Date